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SUBJECT: NIGERIA: BI-WEEKLY POL/ECON UPDATES FOR MAY 16-31, 2008

¶11. (U) Following is a joint Embassy Abuja ConGen Lagos compilation of May 16-31, 2008 political/economic highlights, which did not feature in our other reporting, covering:

--Elections
--National Assembly
--Military Matters
--Environment
--Energy
--Aviation
--Debt
--Fiscal Responsibility
--Agriculture
--Oil and Gas
--Other Important Issues

Elections

¶12. (U) Governors Timipre Sylva (PDP, Bayelsa) and Aliyu Wamakko (PDP, Sokoto) won their gubernatorial by-elections on May 24 and were restored to office. Both men had governed their respective states since May 2007, but had their first elections overturned at tribunal and were forced to contest again in fresh polls. Incumbents from the ruling PDP have now won all of the four gubernatorial by-elections held so far (Kogi, Adamawa, Sokoto, Bayelsa). There is much speculation about whether Sylva and Wamakko's initial tribunal defeat may oddly result in their tenure extension. Some commentators contend they are each now entitled to a fresh four-year term beginning in May 2008, based on the precedent set by the Supreme Court in 2007 in the case of Governor Peter Obi (Anambra).

National Assembly

¶13. (U) The Senate Committee on Drugs, Narcotics and Anti-Corruption, in announcing its finding on June 3 that Farida Waziri did not assume office at the EFCC prior to Senate confirmation, freed the Committee to now focus on her actual confirmation hearing, which began June 4. In her first day of Senate hearings, Waziri vowed to end the political manipulation of the EFCC, saying there would be "no sacred cows." Waziri denied claims she stood surety for former Benue Governor George Akume at the EFCC. She also indicated she would propose an amendment to the EFCC law that would prosecute foreigners found to be participating in

advance fee fraud scams purporting to require assistance to remove funds from Nigeria (launder money), even when they fall victims to it. According to Waziri, "we don't believe they are victims because they know what they were doing." She praised former EFCC Chairman Malam Nuhu Ribadu, noting the solid foundation he established and upon which she plans to build.

14. (U) Freedom Of Information (FOI) passes the Senate, but not the House: Poloffs attended a June 2 hearing by the Senate Committee on Media and Information on the FOI bill, at which organized labor, the military and Senate President David Mark (albeit with reservation) endorsed its passage. During the hearing, the Federal Minister of Information and Communications, Mr. John Odey assured all assembled that President Yar'Adua would sign the bill (originally proposed nine years ago), as soon as the National Assembly passed it, to further the rule of law. Senator Mark expressed reservations about potential misuse of the FOI law, suggesting that libel should be made a criminal offense, not simply a civil matter, but nevertheless pledged to pass it. Confidentiality of sources for journalists is one area of concern, with Mark suggesting that journalists should be made to disclose all sources if necessary to prove the veracity of their stories. Separately, Nigerian Labor Congress leader Olaitan Oyerinde insisted that asset declaration forms required by law of public officers (which are now submitted to the Code of Conduct Bureau but kept private) should be available to the public. The FOI legislation continues to face setbacks in the House of Representatives. On June 4, the House again rejected, for the fourth time in less than

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two months, consideration of its committee report on the FOI bill, despite pledges by Speaker Bankole to pass it.

15. (U) The House of Representatives has said that separating the offices of the Attorney General of the Federation and the Minister of Justice (currently merged and held by Michael Aondoakaa) and establishing an Independent Investigator's Office will be one of the body's priorities during the upcoming constitutional review exercise. The Chairman of the House Committee on the Judiciary, Malam Bala Ibn Na'Allah, said the continued amalgamation of the two offices was not only responsible for the slow adjudication of justice in the country but that it also "gives unfettered power to do and undo to the AG / Minister of Justice."

16. (SBU) Senator Saminu Turaki (PDP, Jigawa) told the media in late May that he favors changing Nigeria's presidential term of office from four to seven years (including an immediate extension of Yar'Adua's tenure to seven years), while establishing an overall limit of two terms (14 years in office total). Turaki explained that longer presidential tenure would allow Nigerians to really benefit from a particular government,⁸ and ensure follow through on development programs. His view has not been well received by colleagues in either the Senate or the ruling party. Senator Eze (PDP, Enugu) called Turaki's comments &unfortunate and not expected of a senator who is also a member of the Constitution Review Committee. (It is an attempt to truncate our democracy and it is condemnable.⁸ (Note: Turaki, who until 2007 was the Governor of Jigawa State, is rumored to have been one of the primary bankrollers of the former president's failed 2006 attempt at tenure extension. End Note.)

Military Matters

17. (U) On May 21, 46 Nigerian soldiers returning from peacekeeping duties in Darfur were killed in a road accident after their convoy was rammed by a fuel truck on the Bauchi-Maiduguri highway in northwest Nigeria. An unknown number of soldiers were also injured. Ambassador Sanders sent a condolence letter to President Yar'Adua expressing her sympathy and the support of the American people.

¶8. (U) The Punch newspaper reported on May 28 that Nigerian Foreign Minister Maduekwe said that AFRICOM is now acceptable to the GON. Citing a difference between previous U.S. military action in Africa, which he criticized and described as "AFRICOM 1," he asserted that "AFRICOM 2" (the new command) will be of benefit to Nigeria by way of training and anti-terror capabilities. The Nigerian Chief of Defense Staff, General Azazi also made positive public statement on AFRICOM in the run-up to the Africa Endeavor exercise in July 2008.

¶9. (U) According to press reports May 23, Nigerian Lieutenant-General Chikadibia Obiakor will be named the UN's Military Advisor. He is currently serving as the Force Commander of the UN mission in Liberia and had previously served as Chief of Administration of the Nigerian Army. Obiakor also served in ECOMOG 1996-1997. Nigerian press attributes Obiakor's appointment to this key UN position to GON lobbying efforts to obtain more UN positions for Nigerians. FM Maduekwe is said to have finalized Obiakor's appointment during his mid-May visit to UNSYG Ban Ki-Moon.

10.(SBU) Recent newspapers report suggest that funding for the Nigerian Armed Forces may be doubled in the 2009 budget in an effort to "tackle the gradual decay" brought on by years of insufficient funding. Nigeria's current (2008) budget reportedly allots around \$1.6 billion for the military, although it is said that President Yar'Adua was recently able to raise another \$680 million (from unknown sources) in order to pay salary arrears to the armed forces. Embassy contacts believe that the military will likely receive additional funding in the 2009 budget, but they are skeptical that the increase will be as large as what the

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press is reporting.

Niger Delta

¶11. (U) President Yar'Adua has presented the National Assembly with a \$679 million budget for the Niger Delta Development Commission (NDDC). Out of this amount, development projects are allocated approximately \$611 million, while personnel, capital, and recurrent expenditures are given approximately \$68 million. During his May 29 televised press event, to note his one year in office, President Yar'Adua promised to release all funds allocated to the NDDC and to provide additional "intervention funds" as part of his strategy to resolve the Niger Delta crisis.

Environment

¶12. (SBU) The Senate Committee on Environment and Ecology held hearings May 16 on a proposed bill to establish a Nigerian National Climate Change Commission. The bill has passed its second reading. The committee was chaired by Senator Dr. Grace Bent and the Minister for Environment Mrs. Halima Tayo Alao was one of the presenters. Embassy contacts told us that in general, the spirit of the meeting was good, but that the most relevant agencies were left out, and that the NCCC would duplicate efforts of other government agencies.

¶13. (U) Dr. Newton Jibunoh, retired CEO/Chairman of Costain, international engineering and consulting firm, and a founder of Fight Against Desert Encroachment (FADE), and publicist Ebun Olatoye were in the United States from May 11-17 for a VolVis program in Tucson, Arizona and Reno, Nevada on desertification. Dr. Jibunoh led his third expedition across the Sahara in late April and received a &Green Award from the U.S. Embassy for his work on desertification. Upon his return to Nigeria, the Mission plans to ask Dr. Jibunoh and Ebun to give a presentation on their Sahara trip.

Energy

¶14. (SBU) Director-General/CEO of the Nigerian Energy Commission, Professor Abubakar Sambo, told EconOff on May 19 that there is the potential to use Jatropha to produce biodiesel for electricity generation and feedstock. Sambo said there is excitement about the development of the Jatropha crop because it needs little or no irrigation, can be interplanted, takes three years to first yield and has a 30 year expected production cycle. The shrub plant does very well in the arid and semi-arid areas of the 19 states of northern Nigeria and a few other states in the south. The GON sees the Jatropha development as a tool for poverty reduction and to help meet Millennium Development Goals. (COMMENT: The GON is not yet fully confident in its ability to develop this market and has visited China and Brazil to seek ideas on how to develop an appropriate infrastructure. No production sites have been identified to date. END COMMENT)

¶15. (U) Oyo State government signed a Memorandum of Understanding with Zia Energy International, a subsidiary of Zia Metallurgical Processes, Inc., a United States industrial company that will be generating electricity from organic waste. The project is expected to start before the end of the year. Governor Adebayo Alao-Akala said that the dump site at Awotan in Iddo Local Government Area had been allocated to the U.S. firm.

¶16. (SBU) Nigeria's U.S. educated Minister of the Federal Capital Territory (FTC) told Ambassador on June 5 that the FTC continues to partner with U.S. companies on alternative energy sources, with a recently completed project to provide solar powered street lights in parts of FTC.

Aviation

¶17. (SBU) On May 14, the Nigerian government sent a letter

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from President Yar'Adua to President Bush contending that the GON has commenced amending aviation laws in accordance with FAA recommendations. These recommendations stem from a January 2008 FAA technical assistance visit to Lagos, in which the FAA concluded that the following legislation did not meet International Civil Aviation Organization (ICAO) standards - the Nigerian Airspace Management Agency Act (NAMA) of 1999; the Federal Airports Authority of Nigeria Act (FAAN) of 1996; and the Nigerian Meteorological Agency Act (NIMET) of 2003. As a result of conflicting legislation, several agencies roles and responsibilities are duplicative and unclear. The GON amendment will give the Nigerian Civil Aviation Agency (NCAA) full and unfettered authority for regulatory oversight of the entire Aviation industry, in line with standard of the International Civil Aviation Organization (ICAO).

Debt

¶18. (U) The GON rejected a \$2.5 billion loan offered by the Chinese government for proposed new rail lines from Lagos to other parts of the country. The Director General of the Debt Management Office, Dr. Abraham Nwankwo, announced on May 20 that the decision was in line with President Yar'Adua's position to not take non-concessionary loans. The GON is working on the legal framework which could make it possible for the Nigerian private sector to access this loan for infrastructure development.

¶19. (U) The GON borrowed \$180 million from the World Bank to fund educational sector development. The Education Minister, Igwe Aja-Nwachukwu, announced that if Nigeria is to become one of the top 20 economies by year 2020 it must begin to educate students on entrepreneurship knowledge and skills. The loan will be used to enhance development of the entrepreneurship education at the universities.

Fiscal Responsibility

¶20. (SBU) The United Nations Development Program (UNDP), UK Department for International Development(DFID), the World Bank and United Stated Agency for International Development (USAID) in collaboration with the Government of Nigeria (GON) rolled out technical assistance to the 36 states of the federation to design and enact fiscal responsibility and public procurement legislation. Workshops have been held in Calabar, Kaduna and Abuja, reaching all of the states. In opening the Calabar workshop which took place from May 12-15, 2008, the Deputy Governor of Cross River state Mr. Efiok Essien Cobham noted that &adoption and implementation of prudent fiscal policies and practices by the incumbent government will lay a firm foundation for the socio-economic prosperity of future generations.⁸ At the workshops, experts shared lessons learned from similar legislation at the federal level and in other countries with state delegates who also discussed their specific legislative needs and developed plans of action for advancing the process. Comments by participants indicated commitment to advancing the state-level laws in these areas. Through fiscal responsibility regimes, public officials are formally required to engage in economic planning, prudent budgeting and responsible debt management. Public procurement legislation will help to control corruption and ensure the cost-effective utilization of public funds.

Agriculture

¶21. (SBU and Business Proprietary Information) On May 22 during a meeting between EconOffs and John Deere International (JD), JD reps told us that the company had signed a distribution agreement with the Nigerian company - AgroPro. With AgroPro as its Nigerian distributor, JD expects to grow its Nigerian business and hopes to open thirty retail and service branches by 2011. JD is focusing on renting tractors and equipment initially and expects to move toward more sales in the future. The National Food Resource Agency has contacted JD and is interested in

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subsidizing tractor sales to its partners. JD expects the first service branch to open in Kaduna by the end of June and with the first order for 30 tractors. Tractors suited to Nigeria's climate and conditions are manufactured in JD's factories in India and Brazil.

¶22. (U) The GON signed a Memorandum of Understanding (MOU) with the Korean government for the establishment of a \$1.8 million rice processing mill. The MOU, signed by the National Food Reserve Agency and the Korean International Cooperation Agency is for the development and improvement of indigenous rice and post harvest processing in the country. The project will be will be funded through grant-in-aid over the next two years and the factory will be located in Bida, Niger state.

¶23. (U) A 15 member delegation from the Kaduna Nigerian-American Chamber of Commerce returned from a May trade visit to Detroit with renewed interest in purchasing U.S. products. In a conversation on May 30, the delegation's leader and the President of the Kaduna NACC, Hajiya Habiba, thanked EconOff for his assistance and expressed particularly interest in purchasing U.S. products. (NOTE: EconOff met with Kaduna NACC in September 2007 and encouraged NACC to visit U.S. to seek ties. END NOTE). Members of the delegation are interested in purchasing solar equipment, and medical equipment. They are also seeking advice on preserving and packaging agricultural products for the U.S. market. Next step is Mission Nigeria will put together a team representing Foreign Commercial Service, Embassy Econ, Foreign Agricultural Service and AID to visit Kaduna to provide information on purchasing U.S. products and AGOA trade export assistance.

Oil and Gas

¶24. (SBU) An official with Nigerian Liquefied Natural Gas (NLNG) told Econoff that the Chairman of the Niger Delta Development Commission (NDDC) was behind legislation that would repeal the 1989 NLNG Fiscal Incentives and Guarantees Act. The 1989 Act provides the fiscal terms for Nigeria's massive NLNG facility and exempts the company from certain taxes, among them, a three percent levy on oil company revenues that goes to support the NDDC. The repeal bill was introduced by Ogun State Representative Gbenga Odowaiye although NLNG is located on Bonny Island in Rivers State. The NLNG contact confided that company's debt rating agencies did not yet know of the bill. He did not think the bill would pass, but worried that news of its introduction would frighten potential investors in NLNG's train seven.

(Comment: News of the bill is now public. While it may not ultimately pass the legislature, the proposal, coming in the midst of Nigeria's attempt to attract foreign financing for development of its natural gas sector, must have potential investors scratching their heads. Odowaiye's claim that repeal of the 1989 Act is necessary because NLNG refuses to "contribute to the development of its host community" should be easy to dismiss; the nearby town of Bonny enjoys almost continuous electrical power supplied by generators used to power the LNG facility. In fact, it may be one of the few towns in Nigeria to have 24/7 electrical power. End Comment.)

¶25. (SBU) The Nigerian National Petroleum Corporation wrapped up a week long road show that sought to promote investment in its recently released Natural Gas Master Plan. The plan, long-circulated among industry insiders, calls for USD 30 billion dollars of investment in Nigeria's natural gas infrastructure over the next decade. The Abuja presentation, which was followed by presentations in London and Singapore, was marred with several glitches. Most tellingly, the Minister of State for Gas, Emmanuel Odusina, abruptly ended a planned hour long question and answer period thirty minutes into the session after one Nigerian industry executive after the next took the opportunity to complain about the slow pace of sector reform and the threat the Gas Master Plan posed to existing gas agreements. One private equity contact was

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cautiously optimistic that good investment opportunities existed, but he and others thought the full Gas Master Plan was far too ambitious for a government not known for seeing such projects to completion.

Other Important Issues

¶26. (SBU) Turnover at Customs Service: The GON appointed a new Controller General of Customs, Hamman Kajoli Ahmed, on May 27. Ahmed replaces Jacob Gyang Buba who's four-year tenure ended. Ahmed is a graduate of Ahmedu Bello University in Zaria, and started his career as a Superintendent of Customs and rose to Assistant Controller-General before the new appointment. Industry contacts suspect that Buba was removed due to corruption issues, but the GON provided no official explanation for the change.

¶27. (U) Increase in bus fares in Lagos: Protests by commuters in Lagos State caused local authorities to reverse a sudden increase in bus fares on the Lagos State Bus Rapid Transit (BRT) system. The price for a short trip had unexpectedly doubled from 50 naira to 100 naira. Officials of the Lagos Metropolitan Area Transport Authority (LAMATA), the operator of the BRT, said they would revert to the old rate following protests at some BRT terminals. Meanwhile, long queues at BRT bus stops despite the inclement weather point to the system's growing popularity. The World Bank-assisted project is part of the state government's response to Lagos' notorious traffic jams.

¶28. (SBU) Increase in child prostitution: During a May 30

meeting with PolEcon Chief, Godwin Morka, zonal head of the Lagos National Agency for the Prohibition of Trafficking in Persons (NAPTIP), said that an increasing number of child prostitutes over the past few years have come from the local government area of Oron, in Akwa Ibom state. Morka estimated that the Lagos NAPTIP shelter has assisted 150 girls over the past 18 months from this area alone. He estimated that approximately 20,000 women from Akwa Ibom state are engaged in prostitution in Lagos alone; 5,000-6,000 of which are from Oron. The Oron Community Union, through its representatives in Lagos, have been meeting with Morka, he said, in an attempt to stem the tide.

SANDERS